

ANNUAL REPORT

December 31, 1943

J. C. PENNEY COMPANY
(A DELAWARE CORPORATION)

OPERATING 1610 RETAIL STORES



TO THE STOCKHOLDERS OF J. C. PENNEY COMPANY

March 15, 1944

This report contains the December 31, 1943 Balance Sheet and supporting statements for J. C. Penney Company and its wholly owned subsidiaries. While the figures summarize the story of the year's operation and results, I believe you will be interested also in some comment and further information regarding your Company's activities in these war days.

FINANCES

The ratio of current assets to current liabilities is about 2 to 1. Cash on hand and in banks on December 31st amounted to \$60,005,728.44. U. S. Government Securities consisting chiefly of Series C tax notes amounted at cost to \$10,340,800.00. The cash position of the Company is not only excellent for current operations but also apparently sufficient for any probable developments even under shifting business conditions.

PROFITS AND TAXES

Net profits for the calendar year of 1943 amounted to \$17,890,772.38, equal to \$6.52 per share on each of the 2,743,984 shares outstanding at the year end. The profit figure compares with \$18,058,136.28 or \$6.58 per share for the year 1942. I feel that the results obtained in the face of most unusual conditions reflect credit on our store managers and the Company operating group.

Federal Income, Surtax and Excess Profit Taxes for 1943 approximated \$12.50 per share or about twice the amount of net profit earned per share.

S A L E S

At the end of 1943 there were 1610 Penney stores in operation — one less than the year before. Because of governmental restrictions on materials and construction and because of the shortage of desirable merchandise, it was not considered wise to open any new stores. Sales for the year totaled \$489,888,090.69. This was a decrease of \$407,082.41, or 00.08% from the Company's record sales of \$490,295,173.10 in 1942.

If it had been possible to procure wanted merchandise in sufficient quantity, this sales figure for 1943 undoubtedly would have been much higher. During 1943, as in 1942, the supply of merchandise, particularly in staple lines, available for civilian needs, fell far short of the wants and demands of the consuming public. However, in my judgment, American manufacturers have done an amazing job in continuing to produce merchandise for civilian needs while meeting the requirements of the armed forces. Too much credit cannot be given to their ingenuity and efficiency in overcoming seemingly impossible difficulties.

I N V E N T O R Y

The investment in merchandise at December 31, 1943 was \$79,061,099.96. This figure exceeded by \$21,838,617.31 the year-end inventory of 1942. At that time, the Company inventory was low in relation to sales volume, for reasons explained in last year's report. It is felt that the inventory at the end of 1943 was conservative and in line with good merchandising principles.

The quality of a merchandise stock is always as important as its quantity. This is particularly true during a period like the present, when of necessity many changes occur in the raw materials and in the character of all goods. In the merchandising policy followed by your Company, and in the taking of inventory, these facts have been kept constantly in mind. Every attempt has been made to offer for sale, within the limitations imposed by the times, only merchandise that would prove of good value and satisfactory in use. Undoubtedly this policy affected somewhat the sales volume for 1943, but, in our judgment, this adherence to merchandise standards was constructive and the merchandise stock as inventoried consisted of desirable merchandise, with a minimum of so-called "ersatz" goods.

D I V I D E N D S

In 1943 the Company again paid total dividends of \$5.00 per share. These included four regular quarterly dividends of 75c each and a year-end extra of \$2.00.

Such disbursements were warranted by the financial position and the year's operating record of the Company.

PARTICIPATION IN WAR EFFORT

During 1943 retailers throughout the country found many opportunities to support the war effort, in addition to performing their primary function as quarter-masters to the civilian population. Our stores took an important part in this community war effort throughout the 48 states.

The sale of War Stamps and Bonds was promoted aggressively by this Company. In the majority of our advertisements of merchandise which appeared during the year in nearly 2,000 newspapers, the purchase of Bonds was encouraged as the first responsibility of the American shopper. During the year the total sales of Stamps and Bonds in the 1610 Penney stores approximated \$75,000,000.00. Over 400 Penney Managers served as Chairmen of local community Bond drives during the year.

Penney managers also served locally on many committees or organizations in connection with other war activities. You may be interested in the fact that 323 Penney managers have been called upon to serve as members of local rationing, draft, or price panel boards. 650 managers have helped in salvage drives or participated in OCD or other defense work. In more normal types of activities our records show that nearly 300 Penney managers are either present or past presidents of their local Chambers of Commerce or Merchants Associations.

These figures are significant as to the part that our stores, as represented by their managers, play in the communities which they serve. We believe that you will be proud of the fact that your manager representatives in the Penney Company strive not merely to operate stores that are an asset to individual trading centers but also to share in the responsibilities that go with the privilege of being an American citizen.

MEN AND WOMEN IN THE ARMED SERVICES

As of December 31st 5,573 associates of the Penney Company were in the armed services. On other pages of this report you will find a reference to some of those among this large group who have received recognition for conspicuous achievements.

Our Company continued in 1943 the policy adopted at the beginning of hostilities of giving military benefits to regular associates serving in the armed

forces. Many of these boys and girls in uniform have found it possible to visit the Central Office of the Company on their way from one assignment to another. They are a grand group and we, like all Americans, are looking forward with them to the day when they will be back. We want so to operate this Company that they will find the right opportunities and the happiness in their work about which they write us from the ships, airfields, and foxholes.

Of the Penney associates in uniform 39 have been reported as killed in action, 12 as missing, and 12 as prisoners of war. To the families of these boys we extend our most sincere sympathy as we realize how close to the hearts of the people of this nation are the battlefronts throughout the world.

POST WAR PLANNING

Much is being said in these days about post-war planning. In our Company we are giving thought to the problems of the transition period from war to peace and of the post-war era. The Company is not embarking on any program of widespread expansion in terms of new units. Some leases have been taken on new locations to be effective after hostilities cease. A survey and study are being made of all stores in order to be ready to catch up the slack in improvements and renovations which have necessarily been postponed on account of existing restrictions.

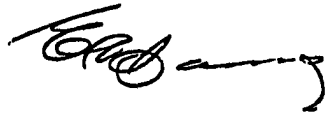
A continuing study has been made looking to the development of improved promotions with respect to our store plants, fixtures, and shopping facilities. These developments should be valuable in the future. There will undoubtedly be opportunities for some expansion in the lines of merchandise offered in our stores after manufacturing facilities are free to turn to civilian products. Many such items have been tested in a limited way. However, we consider that the first objective of the management of this Company should be to go forward in a sound rather than a spectacular way and to maintain at all times a strong liquid position and the flexibility that will warrant your continued confidence and faith in this Company.

COMPANY PERSONNEL

No report on 1943 would be complete without a reference to the personnel of this Company and without an acknowledgment of their part in the year's record. As the majority of our trained and experienced men have gone into service, the others have taken on increased responsibilities and have shouldered cheerfully the added burdens. The restrictions and regulations of a war-time economy and the disruption of many established practices have tremendously increased the amount of work involved. Yet much of this work has had to be done by new, inexperienced

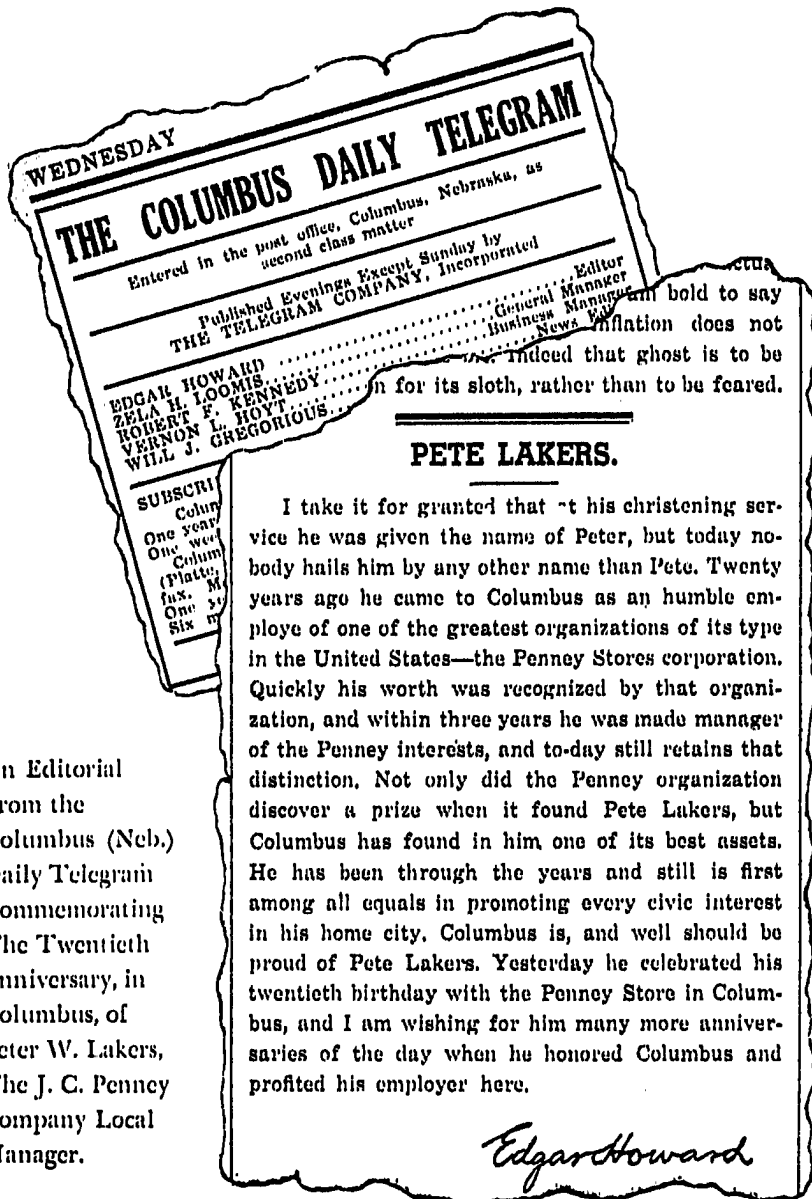
people with a minimum of instruction and supervision. Women have replaced men in increasing numbers.

Under these conditions it has been inspiring to note the way in which Penney associates have risen to meet the challenge and how splendidly they have carried on. I cannot express too strongly the appreciation of the Board of Directors and officials of the Company for this cooperation and support. It strengthens our belief in the soundness of the principles of a friendly human personnel policy and of the fundamental company principles of tying together responsibility and profit participation which have been operative during the 42 years of this Company's history. Whatever the year ahead may bring, we are confident that these associates and the spirit which they exemplify will justify your continued interest and participation in the J. C. Penney Company.

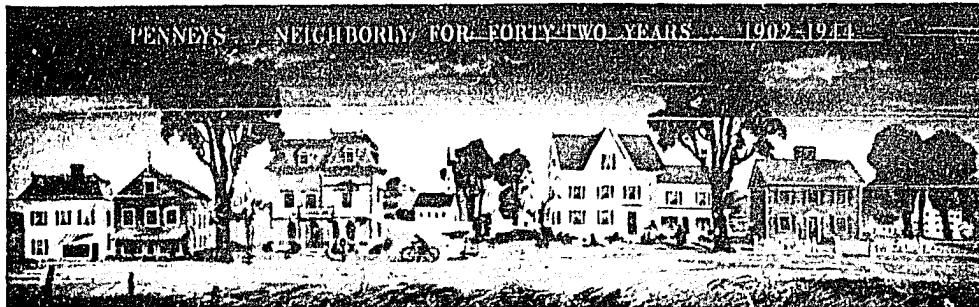


The Annual Meeting of Stockholders will be held on April 20th, 1944. A proxy statement, with a request for proxies, will be mailed to stockholders on or about March 24th.

A Tribute to Sound Store Management



An Editorial
From the
Columbus (Neb.)
Daily Telegraph
Commemorating
The Twentieth
Anniversary, in
Columbus, of
Peter W. Lakers,
The J. C. Penney
Company Local
Manager.



The J. C. Penney Company has always put major emphasis upon sound public relations. That means that each local store must *first* render a genuine merchandise service and *second* be a good neighbor.

1944 marks our 42nd Anniversary. It is mentioned here because our twin objectives for the year are: each store a better store and each store a better neighbor.

Neighborliness is more than a mere word with us, as the editorial reproduced on the opposite page very clearly illustrates.

Spontaneous expressions of this sort are frequent! Sometimes they take the form of petitions for new and additional Penney stores. One such received last September from the Chamber of Commerce of Florence, Calif. is fairly typical. It contained 4,600 signatures and stated that "We believe that a fine Penney department store here would help the war effort by filling a real community need."

Individual customers write us continuously in much the same vein as this recent letter addressed to our Columbus, Ohio, manager:

"Today, when help is so scarce it is refreshing to meet an employee who seems to be happy with her work and anxious to be decent with a customer. I feel that my recent pleasant experience (in your store) speaks highly of the relationship between employee and employer which exists in your company."

Customer good will and sound public relations are priceless assets for any business. But because they are things that must be actively fostered and protected, particularly during such periods as this, tireless attention toward making each Penney store a better store, and a better neighbor, is the best guarantee of the continued success of the J. C. Penney Company.



5573 PENNEY MEN FIGHT FOR FREEDOM . . .

AS of the end of 1943, over 5500 Penney associates were in uniform and serving with our armed forces throughout the world. In every major engagement of the last two years of war, Penney men were present!

Penney service men were at Pearl Harbor when the Japanese struck on December 7, 1941! And Penney men were on Bataan when it fell, April 9th, the following year.

Nine days more, and a Penney man was bombardier on the famous Tokyo raid—Lt. Robert S. Clever, of the Fifth and Washington Avenues, Portland, Oregon, store.

* * * * *

By that time, also, Penney men had landed in Ireland, Iceland, Scotland, England and Wales. Among them were T/Sgt. D. A. Bergman, of Lawrence, Kansas, four-time decorated veteran of twenty-five bombing missions . . . S/Sgt. Robert M. Lawson, of Sapulpa, Oklahoma, officially credited with downing several ME-110 fighter-bombers . . . Lt. Robert H. Smith, of Stephenville, Texas, credited with eleven Nazi fighters in one engagement after a Wilhelmshaven bombing raid . . . Lt. George Eldridge, of the Advertising Department, Flying Fortress pilot, awarded the Air Medal and three Oak Leaf Clusters . . . Maj. Francis Sisman Madsen, of Ogden, Utah, B-17 pilot awarded the Silver Star and Distinguished Flying Cross . . . and S/Sgt. Malcolm H. Logan, of Laramie, Wyoming, credited with shooting down a German plane and going on to bomb the Renault works, Paris, France.

* * * * *

Penney men were with the first troops in Africa, on November 4th, 1942. S/Sgt. Ralph Reed, of Boscobel, Wisconsin, won the Distinguished Flying Cross, the Air Medal, and two Oak Leaf Clusters for his participation in three hundred hours of North African bombing raids.

Pressing on to Sicily, then into Italy, were these: Lt. Lloyd J. Turner, of Grand Forks, North Dakota, Marauder bombardier awarded the Air Medal with seven Oak Leaf Clusters, commended by Air Marshall Tedder and Maj. Gen. Doolittle for precision bombing of the German communications center at Alife, Italy . . . Lt. James Walker, of Chico, California, who wears the Air Medal with nine Oak Leaf Clusters . . . and Lt. Fred J. Selle, of St. Anthony, Kansas, Lightning fighter, with eleven Oak Leaf Clusters to his Air Medal. Credited with downing three Messerschmitt 109's in running battle, he served in the low-level strafing of Foggia air fields and in the first bombing of Rome.

IN EVERY BATTLE FRONT OF THE WORLD!

In the Pacific theatre, American forces took Guadalcanal early last year, February 9th. Penney men serving in the Solomons included: S/Sgt. Franklin P. Thames, of Cortland, New York, awarded the Silver Star for "conspicuous gallantry and intrepidity", when he rescued five Marines buried under bomb rubble at Henderson Field . . . S/Sgt. Charles T. Watts, of Benton Harbor, Michigan, who won the Distinguished Flying Cross for ferrying in explosives on an unarmed transport . . . and Lt. Robert E. Fox, of Waco, Texas, credited with shooting down one Zero at Vella Lavella, and scoring another "probable".

In the Aleutians, another two Japanese planes were shot down in flames by S/Sgt. Austin F. Klous, Hutchinson, Kansas, Penney man.

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Back to the South Pacific, the New Guinea campaign: Plc. John L. Fitzwater, of Beckley, West Virginia, was awarded the Distinguished Flying Cross for "extraordinary achievement" and the Air Medal and Oak Leaf Cluster for "heroism in flight" during over fifty transport missions. In a two-hour battle with eighteen Japanese planes over Wewak, New Guinea, Lt. Justin G. Knowlton, of Eugene, Oregon, accounted for three Zeros certainly and two more "probables". He wears the Purple Heart, the Air Medal, and is three times recipient of the Distinguished Flying Cross.

William B. Keyes, of Mount Pleasant, Michigan, wounded at Pearl Harbor the first day of the war, went back into action as Major of a flying squadron in that area. For his participation in forty-five operational flights, Maj. Keyes wears the Air Medal, the Oak Leaf Cluster, and the Distinguished Flying Cross.

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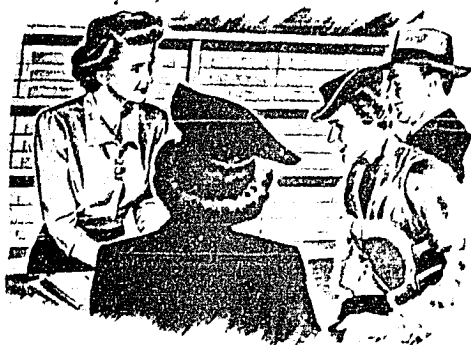
Penney men are hastening final victory in every part of the world. Lt. Richard R. Clements, of Asheville, North Carolina, won the Air Medal for "meritorious achievement while participating on aerial bombardment missions" during two hundred combat hours in the Indian theatre. Capt. R. T. Miller, of Eugene, Oregon, has piloted his Liberator bomber through thirty-five combat sorties in the Middle East. For bombardment of Rumanian oil fields he won the Distinguished Flying Cross.

* * * * *

The associates mentioned here are just a few of Penney's more than 5500 fighting men. They are typical of the thousands of others who are risking their lives daily, that our way of living may endure . . . The J. C. Penney Company is proud of them, wishes them all success and a speedy return!



SOUTH ATLANTIC



A TRIBUTE TO THE *Retail Salespeople of America*

AT the close of one year and the beginning of another we pay tribute to those hundreds of thousands of loyal citizens who serve all of us behind the retail counters of America.

Theirs is an unspectacular role—they receive nothing in the way of public acclaim. Shortages of goods, complications of point rationing, the fact that many of their number are in the armed services, make their job today more difficult than ever.

Despite all of this the retail selling job has its high rewards!

Good retail salespeople like their work! They like to meet and serve people! They take pride in each sale well made!

To this they add, today, the knowledge that they spearhead the distribution job on the home front; that they splendidly support the war effort by

helping to maintain America's high standard of living.

We are apt to take retail salespeople for granted; are quickly critical of shortcomings.

But think for a moment what life would be like without them!

Try to imagine how your family's daily needs—food, clothing and household supplies could be taken care of if all the retail salespeople were spirited away!

* * *

During 1944 we pledge ourselves to do the utmost possible to make pleasant and profitable the work of the people who meet, greet and take care of your needs in Penney stores.

Not only that, but as a genuine community service we shall put into their hands, for you, the very maximum of value and quality that war conditions make possible.

YOU ALWAYS CAN DEPEND ON

PENNEYS
J. C. PENNEY CO., INC.

This advertisement, one of a continuing series published in over 2000 daily and weekly newspapers during 1944, was designed to emphasize the importance of the home front job being done by Penney sales people.

New Emphasis on Job Training



A friendly, human, personnel policy has always been a First Aim of the J. C. Penney Company. In addition, from the very earliest days, major emphasis has been laid on job training.

Many new and unskilled people have been taken into our ranks during the past year. In order to equip them to best advantage our personnel training activities have been greatly expanded. A complete new set of training procedures has been developed, some parts of which are illustrated above.

During the next decade merchandising will, in the opinion of your Company, offer important fields of opportunity for young Americans. Every possible effort is being made now, and will continue to be made, to attract the right people into the Penney organization and, after that, to train them to maximum usefulness both to the Company and to themselves.

J. C. Penney Company
(A Delaware Corporation)
BALANCE SHEET
As of December 31, 1943
ASSETS

CURRENT ASSETS:

Cash in banks and on hand.....	\$ 60,005,728.44
U. S. Government securities—at cost (principally Series C tax notes).....	10,340,800.00
Accounts receivable—Trade and miscellaneous.....	491,156.71
Merchandise (Note)	79,061,099.96
Total Current Assets.....	149,898,785.11

**Investments in and Advances to Subsidiary Companies
(including undistributed surplus)—at amounts as
shown by Subsidiaries' Balance Sheets:**

Advances	\$3,665,000.00	
Capital stock and surplus.....	<u>1,468,419.41</u>	5,133,419.41
Mortgages Receivable		47,782.08
Post-war Excess Profits Tax Credit.....		5,982,351.65

**Fixed Assets, at not in excess of cost, less provision
for depreciation:**

Land	1,478,999.28	
Buildings	\$1,852,099.37	
Less Reserve for depreciation..	<u>506,563.69</u>	<u>1,345,535.68</u>
		2,824,534.96
Furniture and fixtures, less provision for depreciation.....	9,331,658.76	
Improvements to leaseholds, less amortization	<u>1,423,422.21</u>	13,579,615.93

**Deferred Charges—Unexpired Insurance Premiums,
Rent Advances, etc.**

679,317.37
<u>\$175,321,271.55</u>

Note: Inventories are stated at the lower of cost or market determined as follows:

Merchandise in stores—lower of cost or market determined by the retail method.

Stocks in warehouses and with manufacturers—cost determined by the first-in first-out method and market on the basis of replacement cost.

J. C. Penney Company

(A Delaware Corporation)

BALANCE SHEET

As of December 31, 1943

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities..... \$ 40,272,964.35

Provision for Federal taxes on income..... 37,199,897.02

Total Current Liabilities..... 77,472,861.37

Reserve for Fire Losses, Etc., and Employees' Death Benefits..... 2,703,595.71

Common Stock, no par value:

Authorized, 3,000,000 shares.

Outstanding, 2,743,984 shares 33,822,766.67

Surplus (Earned):

J. C. Penney Company..... \$59,903,628.39

Undistributed surplus of subsidiaries..... 1,418,419.41

61,322,047.80

\$175,321,271.55

J. C. Penney Company

PROFIT AND LOSS ACCOUNT

For the Year Ended December 31, 1943

(Including Profits of Subsidiaries)

Sales		\$489,888,090.69
Cost of Merchandise Sold, and Selling and General Expenses (exclusive of items specifically set forth below)	\$429,005,861.44	
Maintenance and Repairs.....	932,325.01	
Depreciation and Amortization.....	1,680,734.69	
Taxes, other than Taxes on Income.....	4,445,656.49	
Company Contributions to Retirement Plans.....	2,713,085.02	438,777,662.65
		<u>51,110,428.04</u>
Discount on Purchases, Interest Received and Miscellaneous Income (Net)		1,129,304.99
Net Profit before Provision for Taxes on Income.....		52,239,733.03
Provision for Taxes on Income:		
Federal normal income tax and surtax.....	7,620,000.00	
Federal excess profits tax (less post-war credit of \$2,940,000.00)	26,460,000.00	
Other income taxes.....	500,000.00	34,580,000.00
		<u>17,659,733.03</u>
Add 1943 Profits of Subsidiaries.....		231,039.35
Transferred to Surplus.....		<u>\$17,890,772.38</u>
Note:		
Common stock outstanding at end of year.....	Shares 2,743,984	
Earnings per share of common stock, as above..		<u>\$6.52</u>

EARNED SURPLUS ACCOUNT

Surplus at December 31, 1942.....	\$57,151,195.42
Net Income for 1943.....	<u>17,890,772.38</u>
	75,041,967.80
Cash Dividends on Common Stock.....	<u>13,719,920.00</u>
Surplus at December 31, 1943.....	<u>\$61,322,047.80</u>

ACCOUNTANTS' REPORT

To the Board of Directors,
J. C. Penney Company,
New York, N. Y.

We have examined the balance sheet of the J. C. Penney Company as of December 31, 1943 and the statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested accounting records of the company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statements of profit and loss and surplus present fairly the position of the J. C. Penney Company at December 31, 1943 and the results of the operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

New York, N. Y.,
March 15, 1944.

Year-by-Year Sales Figures

1902-1943

<i>Year</i>	<i>No. of Stores</i>	<i>Gross Business</i>	<i>Year</i>	<i>No. of Stores</i>	<i>Gross Business</i>
1902	1	\$ 28,898.11	1923	475	62,188,978.73
1903	1	63,522.95	1924	569	74,261,343.00
1904	2	94,165.49	1925	674	91,062,616.17
1905	2	97,653.54	1926	747	115,683,023.37
1906	2	127,128.36	1927	892	151,957,865.20
1907	2	166,313.82	1928	1,023	176,698,989.14
1908	4	218,432.35	1929	1,395	209,690,417.77
1909	6	310,062.16	1930	1,452	192,943,765.42
1910	14	662,331.16	1931	1,459	173,705,094.52
1911	22	1,183,279.96	1932	1,473	155,271,981.19
1912	34	2,050,641.99	1933	1,466	178,773,965.06
1913	48	2,637,293.72	1934	1,474	212,053,361.46
1914	71	3,560,293.75	1935	1,481	225,936,100.88
1915	86	4,825,072.19	1936	1,496	258,322,479.00
1916	127	8,428,144.34	1937	1,523	275,375,137.32
1917	177	14,881,203.14	1938	1,539	257,963,945.53
1918	197	21,338,103.60	1939	1,554	282,133,933.64
1919	197	28,783,965.42	1940	1,586	304,539,325.64
1920	312	42,846,008.53	1941	1,605	377,571,710.99
1921	313	46,641,928.20	1942	1,611	490,295,173.10
1922	371	49,035,729.06	1943	1,610	439,888,090.69

STORES BY STATES, Dec. 31, 1943

Alabama	12	Iowa	68	Nebraska	54	South Carolina	13
Arizona	18	Kansas	77	Nevada	9	South Dakota	27
Arkansas	18	Kentucky	22	New Hampshire	3	Tennessee	21
California	138	Louisiana	11	New Jersey	4	Texas	118
Colorado	49	Maine	9	New Mexico	17	Utah	30
Connecticut	6	Maryland	5	New York	33	Vermont	5
Delaware	2	Massachusetts	10	North Carolina	31	Virginia	13
Florida	19	Michigan	52	North Dakota	33	Washington	62
Georgia	17	Minnesota	63	Ohio	61	West Virginia	12
Idaho	35	Mississippi	19	Oklahoma	49	Wisconsin	54
Illinois	49	Missouri	49	Oregon	42	Wyoming	22
Indiana	52	Montana	38	Pennsylvania	58		
				Rhode Island	1	Total Stores.....	1610

J. C. PENNEY COMPANY

A DELAWARE CORPORATION

OFFICERS

J. C. PENNEY
Chairman of the Board

E. C. SAMS
President

J. I. H. HERBERT
3rd Vice-President and Treasurer

A. W. HUGHES
Executive Vice-President

A. J. RASKOPF
Secretary

W. A. REYNOLDS
and Vice-President

R. W. TROWN
Comptroller

DIRECTORS

J. C. PENNEY, *Chairman*

E. C. SAMS

G. H. CROCKER

J. I. H. HERBERT

W. A. REYNOLDS

GEO. H. BUSHNELL

EARL A. ROSS

L. W. HYER

A. W. HUGHES

LEW V. DAY

F. W. BINZEN